

# PROPOSED ALTERATIONS TO CONTRACT

(37a)

*Re* Grand Trunk Pacific Railway Company, and correspondence  
in connection therewith.

---

GRAND TRUNK RAILWAY COMPANY OF CANADA,  
DASHWOOD HOUSE, 9 NEW BROAD STREET,  
LONDON, E.C., December 15, 1903.

RT. HON. SIR WILFRID LAURIER,  
Ottawa.

DEAR SIR WILFRID LAURIER,—I sincerely hope that we have now reached a solution of the question of the deposit to be made under the Grand Trunk Pacific agreement. I have fully appreciated the difficulties with which you have had to contend in the course of your most able conduct of the measure through parliament, and have shared your anxieties. I will only ask you kindly to bear in mind that I also have been confronted with many difficulties in bringing my colleagues to accept the view which I entertain on the general merits of the scheme, and that if there has been some hesitation and even doubt on this side, it is attributable to a sense of responsibility towards the shareholders of the company, and a consideration of the very large measure in which their interests are concerned.

It has always seemed to me that the Government of Canada and the Grand Trunk Railway Company, being in point of fact partners in the enterprise—the former actuated by considerations of national policy, the latter by the necessity for securing its share in the growing prosperity of the North-west—the burden of financial liability should be shared between the two in as equable proportions as possible, but I venture to think—and this view is strongly held by my board—that too large a portion of the burden has been imposed upon the Grand Trunk Company. I think I am correct in believing that this shifting of the balance was caused by the extreme, and I must say, in some respects unfair, opposition which the Bill met with in the House.

My Board feel that we could not ask the shareholders to affirm the agreement in its present precise form.

Mr. Hays, who has been with us in London for the last ten days, and who returns to Canada to-morrow, is in full possession of the views of the Board on the subject of the modifications which in our judgment should be adopted before meeting our shareholders, and I feel assured that you will listen to his representations with all your usual courtesy and indulgence.

I hope that you will understand that the chief amendments which we will propose will in no way affect the principles of the Act, or curtail the rights of the government. Their object is to allay any possible apprehensions of our shareholders, whose undertaking after many unfortunate vicissitudes has now been brought into a position of established prosperity, and who might hesitate to embark upon a new enterprise of such magnitude without reasonable safeguard being afforded for securing their interests in the event of the expectations of the promoters not being realized, or of our having to



4 EDWARD VII., A. 1904

encounter a series of less prosperous years than those which we have been lately enjoying.

Very truly yours,

C. RIVERS WILSON,

*President.*

## PROPOSED ALTERATIONS TO CONTRACT *RE* GRAND TRUNK PACIFIC RAILWAY COMPANY.

### *Completion of Western Division.*

Time for the completion of the construction of the Western Division, fixed as December 1, 1908, is considered short. Failure to complete within the time should at least not create a forfeiture of the deposit.

### *Deposit.*

(1.) Upon the issue of the guaranteed stock now forming the deposit already made being approved by the shareholders of the Grand Trunk, legislation to be passed confirming its substitution and acceptance in lieu of that called for by the agreement.

(2.) The company to be entitled to a release of the deposit at least to the extent that it forms security for the construction of the Western Division upon the expenditure in such construction of five million dollars realized from the proceeds of bonds to be guaranteed by the Grand Trunk.

### *Lease of Eastern Division.*

(1.) Upon the completion of the construction of the Eastern Division, the company should have the option of operating under lease the portions constructed upon undertaking to pay working expenses and to hand to the government a portion (to be fixed) of the net earnings.

(2.) Rental payable under the lease to be made by the company upon the completion of the Eastern Division to be made a charge only upon net earnings for the whole term or at least for a longer period than the three years provided in the agreement (section 20.)

### *Government Assistance.*

Inasmuch as bonds issued by the company bearing 3 per cent interest and guaranteed by the government will not realize par, it should be provided either

(1.) That the government guarantee the payment of principal and interest of an issue of bonds bearing interest at 3 per cent to be made by the company for a principal amount sufficient to realize 75 per cent of the cost of construction of the mountain section and prairie section, respectively, or

(2.) Instead of the government guaranteeing bonds of the company for the purpose of assisting in the construction of the Western Division, they shall raise the aid proposed to be given by an issue of government securities bearing interest at 3 per cent and now quoted at or about par, and accept as security for the advances to aid in construction, bonds of the company secured by a first mortgage on all the property of the company, as described in paragraph 35 (a) of the agreement. Such bonds to form a portion of one issue, 75 per cent of which the government shall be entitled to receive and hold, and the balance to be when guaranteed by the Grand Trunk Railway Company used for the purpose of raising the additional 25 per cent required.

NOTE.—Such a mortgage might be created at once and to the extent of the aid granted by the government during the construction the bonds could be delivered to the government.



SESSIONAL PAPER No, 37a

*Payment of Interest on Bonds.*

Interest should only be made a charge upon net earnings of the company, with a proviso that to the extent that such interest is not paid in any year it shall be charged up against the company and carried over, bearing interest, and be payable out of the first surplus of earnings in any year thereafter over and above the amount required to pay the fixed charges accruing due in that year. Failing the company being able to pay the interest as herein contemplated, the whole amount unpaid to be added to the principal of the mortgage and be payable when the same becomes due.

*Grand Trunk Pacific Common Stock.*

The terms upon which the Grand Trunk is to acquire the common stock of the Grand Trunk Pacific and the liability to be incurred by such acquisition to be fully determined and made the subject of an agreement.

‘ Pretorian.’

BANK OF MONTREAL,  
22 ABCHURCH LANE,  
LONDON, E.C., December 17, 1903.

The Deputy Minister of Finance,  
Ottawa.

SIR,—We have this day received from the Grand Trunk Railway Company of Canada, certificate for £1,000,000 four per cent guaranteed stock of that company, which certificate we hold on behalf of the Dominion government as instructed in the Secretary's letter, copy of which is inclosed.

We also inclose copy of the certificate and conditional endorsement on the back thereof.

The secretary stated that it was not necessary for us to cable you of the deposit.

I have, &c.,

A LANG,

*Manager.*

*Copy.*

Folio 65a.

THE GRAND TRUNK RAILWAY COMPANY OF CANADA FOUR PER CENT  
GUARANTEED STOCK.

*Certificate No. 47351.*

£1,000,000.

*Registration No. 5.*

This is to certify that the Minister of Finance, nominee of the Canadian Government of Ottawa, is the registered proprietor of one million pounds four per cent guaranteed stock of the Grand Trunk Railway Company of Canada.

LONDON, December 16, 1903.

I. S. NUGENT,  
*Registrar.*

H. H. NORMAN,  
*Secretary.*

This certificate of stock must be deposited with the deed of transfer, whether for the whole or any portion thereof, before a new certificate can be issued in exchange.

(See over).



4 EDWARD VII., A. 1904

*Copy of endorsement on back:—*

The £1,000,000 stock comprised in this certificate has been allotted subject to the condition that unless such allotment is sanctioned and approved by a general meeting of the company the allotment is to be null and void.

GRAND TRUNK RAILWAY COMPANY OF CANADA,  
DASHWOOD HOUSE,  
9 NEW BROAD STREET, LONDON, E.C.  
December 17, 1903.

Messrs. the Bank of Montreal,  
22 Abchurch Lane, London, E.C.

GENTLEMEN,—At the request of the government of the Dominion of Canada, I beg to inclose you herewith a certificate of £1,000,000, four per cent, guaranteed stock of this company, which has been conditionally allotted to the Minister of Finance as nominee of the Canadian government, such certificate to be held by you on behalf of the Canadian government.

Kindly acknowledge receipt.

I am, &c.,

H. H. NORMAN,  
Secretary.

FINANCE DEPARTMENT, OTTAWA,  
December 30, 1903.

The Manager,  
Bank of Montreal,  
London, Eng.

SIR,—I have the honour to acknowledge the receipt of your letter (per SS. *Pre-toria*) of the 17th instant, with inclosure copy of certificate for £1,000,000, four per cent, guaranteed stock of the Grand Trunk Railway Company of Canada, held by the Bank of Montreal, London, on behalf of the Dominion government.

I have the honour to be, Sir,

Your obedient servant,

J. M. COURTNEY,  
Deputy Minister of Finance.

BANK OF MONTREAL,  
OTTAWA, March 9, 1904.

The Honourable W. S. Fielding,  
Minister of Finance, Ottawa.

SIR,—I am instructed by my head office to inform you that they have, at the request of the Grand Trunk Railway of Canada, issued a deposit receipt to-day in favour of the Minister of Finance and Receiver General, for five millions of dollars.

I have, &c.,

W. J. ANDERSON,  
Manager.



SESSIONAL PAPER No. 37a

## DEPOSIT RECEIPT, THE BANK OF MONTREAL.

MONTREAL, March 9, 1904.

\$5,000,000.

This certifies that there has been deposited in this bank by or on behalf of the Grand Trunk Pacific Railway Company the sum of five million dollars as and for the purpose of the deposit agreed to be made by the said Grand Trunk Pacific Railway Company under the provisions of certain agreements, dated respectively, July 29, A.D., 1903, and February 18, A.D., 1904, which sum will be accounted for without interest by this bank to the Minister of Finance and Receiver General of Canada; six calendar months' notice to be given of withdrawal of said deposit. This receipt to be given up to the bank when payment is required.

For the Bank of Montreal,

H. V. MEREDITH,  
Manager.W. A. BOG,  
Accountant.GRAND TRUNK RAILWAY SYSTEM,  
OTTAWA, March 24, 1904.Hon. W. S. Fielding,  
Minister of Finance, Ottawa.

DEAR SIR,—Having reference to the deposit of \$5,000,000 made by the Grand Trunk Railway Company in behalf of the Grand Trunk Pacific Railway Company, under clause 12 and 13 of the original agreement of July 29, 1903, and clauses 2 and 12 of the supplemental agreement of February 18, 1904. As under our agreement with the bank they are to pay no interest on the cash so deposited, the Grand Trunk Pacific Company hereby agrees to waive the payment by the government of interest at the rate of three per cent per annum on the cash so deposited, as provided in clause 12 of the agreement of July 29, 1903.

Yours truly,

CHAS. M. HAYS,  
3rd Vice President and General Manager.

March 25, 1904.

CHAS. M. HAYES, Esq.,  
Second Vice President and General Manager,  
Grand Trunk Railway System,  
Montreal, P.Q.

SIR,—I have the honour, by direction of the Minister of Finance, to acknowledge the receipt of your letter of the 24th instant respecting the waiving of interest on the cash deposited as provided in clause 12 of the agreement of July 29, 1903.

I have the honour to be, Sir,

Your obedient servant,

WM. FITZGERALD,  
Assistant Deputy Minister of Finance.



















